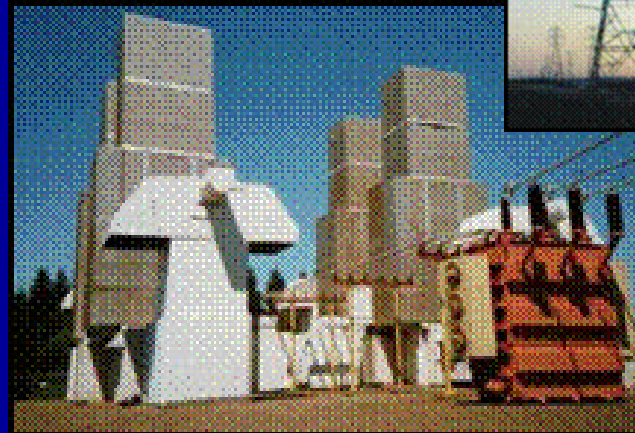


The Power Plant Siting Board

A One-Year Review



History

2001

Boom in applications to construct new generating facilities

- Predominantly independent power producers, or IPPs, not regulated by the PSC (merchant plants - Dynegy, Enron, etc.)
- Mostly gas-fired peaking plants
- 25-30 facilities proposed

June 19 - Gov. Patton imposes moratorium

History

2002

Moratorium extended for additional 6 months

SB 257 introduced, adopted by Kentucky General Assembly

April 24, 2002 - SB 257 signed by Gov. Patton, takes effect immediately

Moratorium lifted

Who Is Covered by the Siting Bill?

- Only merchant plants - NOT regulated facilities
- Any facility that had been affected by the moratorium on new power plant applications
- Plants with DEP permits, but not under construction, are subject to siting review
- All new projects
- Projects of less than 10 MW excluded

Key Elements of the Siting Bill

Local participation

- Local representation on board
- Local public hearing
- Planning and zoning compliance

Site review

- Noise, visual, other impacts
- Economic impacts

Impact on electric transmission grid

Establishing the Siting Board

PSC staff serve as staff to the board

- Drafted regulations
- Established consultant selection process
- Selected consultants

Siting Board Membership

Ex officio members

- PSC commissioners
- Secretary of Kentucky Natural Resources & Environmental Protection Cabinet
- Secretary of Kentucky Cabinet for Economic Development

Ad hoc members

- Local government representative
- Local citizen representative

Regulations: Notice of Intent

- At least 30 days before application
- Allows governor/local government time to appoint ad hoc members
- Gives PSC time to select consultant to review site assessment report, other consultants as needed

Regulations: Application

- Evidence of public notice
- Local zoning & noise control compliance
- Public involvement report
- Electric transmission grid analysis
- Economic analysis
- Disclosure of past violations
- Site assessment report

Regulations: Application Fee

Siting board is self-funded through application fees

Generating facilities:

- \$1,000 per megaWatt
- \$40,000 minimum/\$200,000 maximum
- May be increased to meet processing costs

Transmission facilities:

- \$50 per kV-mile
- \$10,000 minimum/\$200,000 maximum

Regulations: Hearings

Evidentiary hearing

- On motion of board or party to case within 30 days of completed filing
- Held at PSC or local site
- Testimony under oath

Local public hearing

- At request of at least 3 interested parties or one local govt. entity – city, county, P&Z authority
- Must be requested within 30 days of completed filing
- 20 days notice required
- Held within 60 days of filing
- Informal format

Timeline

Consultants'
Review
Complete

Board
Review
Begins

Final
Order

Notice of
Intent

Application
Filed

-30

0

30

60

90

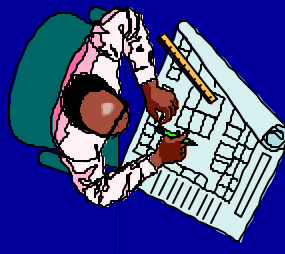
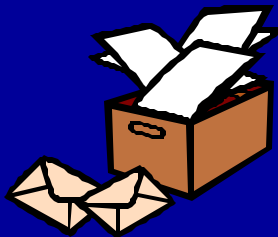
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30

60

90

120



The First Year

Five notices of intent received

- Kentucky Mountain Power – Knott County
- Thoroughbred (Peabody) – Muhlenberg County
- Estill County Energy Partners (Calla Energy)
- Kentucky Pioneer Energy - Clark County
- Westlake Energy - Marshall County

Two completed applications

- Kentucky Mountain Power
- Kentucky Pioneer Energy

The First Year - Trends

Interest in new plants has diminished

- Many proposed projects have been scrapped
- Economy is stagnant
- Limited capital for any new generation, but especially for IPPs

Focus has shifted

- Away from gas to coal
- Away from peaking to baseload
- 4 of 5 NOIs, and both applications, are for coal-using baseload plants
- High cost of gas may be a factor

Kentucky Mountain Power

Site: southwest Knott County, near Hazard

Fuel: coal and waste coal (gob)

Capacity: 520 MW

Timeline:

- Notice filed - April 30, 2002
- Application complete - June 13, 2002
- Formal hearing - August 7, 2002
- Certificate granted - September 5, 2002

Current status:

- Under appeal in Knott Circuit Court
- Applicant working to reach settlement with intervenor

Kentucky Pioneer Energy

Site: Clark County, near Trapp

Fuel: synthetic gas from coal and refuse-derived fuel (RDF)

Capacity: 540 MW

Timeline:

- Notice filed - August 23, 2002
- Application complete - December 19, 2002
- Local public hearing - March 4, 2003
- Formal hearing - March 6, 2003
- Certificate denied - April 16, 2003

Current status: Siting Board has granted KPE's request to present new evidence with regard to compliance with local planning and zoning regulations - procedural schedule being established

Thoroughbred Energy

Site: Muhlenberg County, near Central City

Fuel: coal

Capacity: 1500 MW

Timeline:

- Notice filed - April 30, 2002

Current status: Company has indicated that no application will be filed until it has resolved outstanding issues, including legal challenges, related to air quality permit granted by Kentucky Department of Environmental Protection

Estill County Energy Partners

Site: Estill County, near Irvine

Fuel: waste coal

Capacity: not specified

Timeline:

- Notice filed - May 16, 2002

Current status: Company has indicated it expects to file application later this year

Westlake Energy

Site: Calvert City, Marshall County

Fuel: natural gas

Capacity: 520 MW

Timeline:

- Notice filed - May 21, 2002

Current status: Unknown

Other Projects

Cash Creek plant, Henderson County

- 1000 MW coal-fired baseload facility
- recently received local planning and zoning approval
- have said publicly that will not apply to Siting Board until other approvals are received

What We Have Learned

Merchant power boom has not materialized

- Southeast has excess generating capacity - as much as 40% (recent WS Journal article)
- Regulated utilities are developing their own new generating facilities - both peak and baseload
- Financing is difficult, especially for IPPs

What We Have Learned

IPP industry in Kentucky has shifted focus

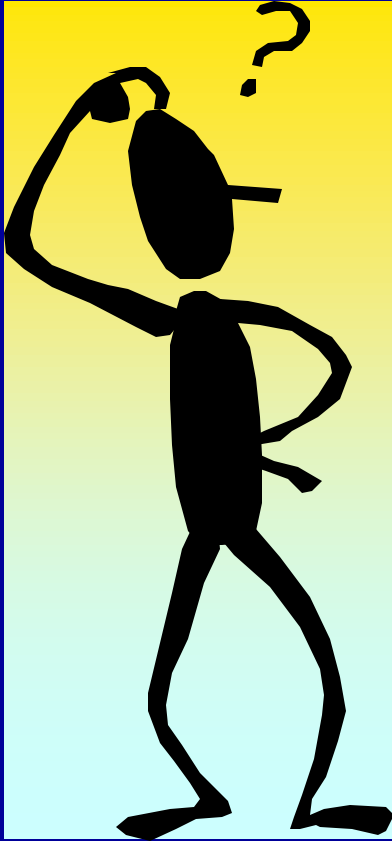
- **Fuel - from gas to coal**
- **Capacity - from peaking to baseload**
- **Several factors driving shift**
 - Regulated utilities building peaking capacity
 - Rising gas prices
 - Abundance and price of Kentucky coal and coal-related fuels such as gob

What We Have Learned

Legislation needs some revision to address procedural issues

- Specific statutory authority for Notice of Intent
- Clarification of administrative appeal process
- Explicit authority to enforce terms and conditions upon which certificates are granted

Legislation making needed changes (SB 147) was approved by Kentucky Senate during 2003 General Assembly



Questions/
Comments